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Course Information

Course Title: *Tax Guide to Interest and Debt* #490719

Recommended CPE credit hours for this course

In accordance with the standards of the National Registry of CPE Sponsors and the IRS, CPE credits have been granted based on a 50-minute hour.

CPA 2.5 (All states)

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration:

Florida Division of Certified Public Accountancy: 4761 (Ethics #11467)

Hawaii Board of Public Accountancy: 14003

New York State Board of Accountancy: 002146

Ohio State Board of Accountancy: M0021

Pennsylvania Board of Accountancy: PX178025

Texas State Board of Accountancy: 009349

EA/OTRP 2 (All States) IRS: Qualified Sponsor number: *FWKKO*.

IRS Course Number: FWKKO-T-00062-13-S

CLU, ChFC Professional Recertification 2

Course Description

This mini-course brings the practitioner information on tax issues affecting interest and debt. The various types of interest and their required allocation are explored and reviewed. For the economically troubled client, special attention is devoted to debt cancellation, repossession, discounts, and foreclosure. The program also discusses installment sales, taxable interest, and bad debts.

Program Delivery Method: Self-Study (NASBA QAS Self-Study/interactive)

Subject Codes/Field of Study

NASBA (CPA): Taxes.

IRS (EA, OTRP): Federal Tax Law.

Course Level, Prerequisites, and Advance Preparation Requirements

Program Level: Overview.

This program is appropriate for professionals at all organizational levels.

Prerequisites: Basic familiarity with federal taxation

Advance Preparation: None

Course Content

Publication/Revision Date: 3/21/2019.

Author: Danny Santucci, J.D.

Final exam (online): Fifteen questions (multiple-choice).

Instructions for taking this course

You must complete this course within one year of the date of purchase (if you do not complete the course within one year, contact us to determine whether an updated edition of the course is available, in which case we will provide you with a PDF of the updated course and the online exam at no charge).

A passing grade of at least 70% is required on the final exam for this course. You may retake the exam if you do not pass it on the first attempt (no charge).

Complete the course by following the learning objectives listed on the following page, studying the text, and studying the review questions at the end of each major section (or at the end of the course). Once you have completed studying the course and you are confident that the learning objectives have been met, answer the final exam questions (online).

Instructions for Taking the Final Exam Online

- Login to your account online at www.bhfe.com.
- The exam may be started, stopped, then resumed at a later date.
- The exam is "open book," it is not timed, and it may be retaken if not passed on the first attempt (no charge).
- Results (correct, incorrect answers) and certificate appear immediately upon passing the exam.
- CFP® and EA credits are reported weekly.

Have a question? Call us at 800-588-7039 or email us at contact@bhfe.com.

Learning Assignment & Objectives

As a result of studying the assigned materials, you should be able to meet the objectives listed below.

ASSIGNMENT

At the start of the materials, participants should identify the following topics for study:

- * Deductible interest & debt
- * Nondeductible interest
- * Below-market interest rate loans
- * Unstated or imputed interest on sales
- * Original issue discount (OID)
- * Allocation of deductible interest
- * Taxable interest
- * Installment sales
- * Debt cancellation & foreclosure
- * Bad debts

Learning Objectives

After reading the materials, participants will be able to:

1. Determine what constitutes "interest" specifying its key components, and identify whether the various types of interest are tax deductible or nondeductible.
2. Recognize how to deduct interest that is paid or accrued during the tax year applying different methods of accounting, specify the applicable federal rate, recognize the effects of unstated interest on transactions, and cite the imputed interest rules in the context of debt instruments.
3. Identify the interest allocation rules and the allocation period for a loan, recognize the difference between an allocation of loan proceeds that are deposited in an account and the allocation of loan proceeds received in cash, and cite loan repayments in the order they are deemed repaid.
4. Determine when certain distributions commonly referred to as "dividends" are actually interest and the tax treatment of interest that is earned on such items as income on frozen deposits and U.S. Savings Bonds.
5. Recognize an installment sale transaction, determine what constitutes the installment method, specify the parts of each payment on an installment sale, and cite the related party sales rules of §453.
6. Identify exceptions to the general income inclusion rule and their effect on a taxpayer, and determine the different effects of nonrecourse indebtedness from the effects of recourse indebtedness on foreclosure.
7. Specify bad debt categories specifying the impact of nonbusiness bad debt recovery, identify when a business deducts its bad debts from gross income, and recognize which accounting method to apply to business bad debts.

Notice

This course and test have been adapted from materials and information contained in the above text and any supplemental material provided. This course is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional advice and assumes no liability whatsoever in connection with its use. Since laws are constantly changing, and are subject to differing interpretations, we urge you to do additional research and consult appropriate experts before relying on the information contained in this course to render professional advice.



Tax Guide to Interest and Debt

By
Danny C. Santucci

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TABLE OF CONTENTS

Deductible Interest & Debt	1
Introduction	1
Bona Fide Debt	1
Related Party Debt	1
Inter-Family Loans	1
Loans to Controlled Corporation	2
Losses	3
Section 1244	3
Debt v. Stock Factors	4
Debt vs. Lease	4
Deductible Interest	6
Business Interest	6
Mortgage Interest	7
Prepayment Penalty	7
Points	7
Exception for Points on Home	7
Seller Paid Points	7
Expenses to Obtain a Mortgage	8
Qualified Residence Interest	8
Acquisition Debt	9
Home Acquisition Debt Limit	9
Refinanced Home Acquisition Debt	9
Mortgage Deemed Used To Buy, Build, or Improve Home	10
Date of the Mortgage	10
Cost of Home or Improvements	10
Home Equity Debt Suspended	10
Home Equity Debt Limit	11
Fair Market Value	11
Acquisition Indebtedness	11
Home Equity Indebtedness	11
Interest on Installment Purchases	12
Investment Interest	12
Nondeductible Interest	12
Personal Interest	12
Interest on Income Tax Owed	13
Penalties	13
Capitalized Interest - §263A	13
Interest Related To Tax-exempt Income - §265	13
Commitment Fees & Service Charges	13
Corporate Acquisition Interest - §279	14
At-Risk Rules - §465	14
Passive Activity Limitations - §469	14
When Interest is Paid	14
Cash Method	15

Prepaid Interest - §461.....	15
Accrual Method	15
Prepaid Interest	15
Related Taxpayer - §267.....	15
Election to Capitalize Carrying Charges - §266.....	15
Below-Market Interest Rate Loans - §7872	15
Demand Loans (Gift or Nongift) - §7872(a).....	16
Treatment of Lender & Borrower	16
Forgone Interest - §7872(e)(2).....	16
Timing.....	16
Term Gift Loans - §7872(d)(2)	16
Treatment of Borrower.....	17
Additional Lump-Sum Cash Payment.....	17
Timing.....	17
Treatment of Lender.....	17
Timing.....	17
Nongift Term Loans - §7872(b)	17
Treatment of Borrower.....	17
Additional Lump-Sum Payment	17
Timing.....	18
Treatment of Lender.....	18
Timing.....	18
Special Rule for Certain Gift Loans	18
Loans Subject To Below-Market Loan Rules	18
Tax Avoidance Loans	18
Loans Not Subject To Below-Market Loan Rules.....	18
Unstated or Imputed Interest on Sales - §483 & §1271-1275	20
Applicable Federal Rate (AFR).....	20
Effects of Unstated Interest.....	20
Selling Price & Contract Price.....	21
Rules for Imputing Interest	21
Test Rate of Interest - The 3-Month Rate.....	21
Relationship of §1274 & §483	21
Section 483	22
Total Unstated Interest.....	22
Transactions to Which Section 483 Rules Apply.....	22
Exceptions to §483 Rules	23
Section 1274 Rules	24
Exceptions to §483 & §1274.....	24
Original Issue Discount (OID).....	25
De Minimis OID	25
Form 1099-OID.....	25
Exceptions to OID Rules	25
Debt Instruments Issued From 7/2/82 to 1/1/85	26
Debt Instruments Issued After 12/31/84.....	26

Allocation of Deductible Interest28

Introduction	28
Use of Proceeds	29
Allocation Period	29

Proceeds Not Disbursed To Borrower	29
Proceeds Deposited in Borrower’s Account	29
Order of Funds Spent.....	29
Expenditures Paid From Checking Accounts.....	29
Expenses Paid Within 30 Days	30
Optional Method for Determining Date of Reallocation.....	30
Accrued Interest.....	30
Accrued Interest Before Debt Proceeds Are Received	30
Loan Proceeds Received In Cash	30
Loan Repayments.....	31
Loan Refinancing.....	31

Taxable Interest31

Dividends v. Interest.....	31
CDs & Deferred Interest Accounts	32
Gift for Opening Account.....	32
Interest Income on Frozen Deposits.....	32
U.S. Obligations	33
Miscellaneous Interest Items	33
Interest on Tax Refunds.....	33
Interest on Condemnation Award.....	33
Installment Sale Payments.....	33
Interest on Annuity Contract.....	33
Usurious Interest	34
Accrued Interest on Bonds.....	34
Below-Market Loans.....	34
U.S. Savings Bonds	34
Series HH Bonds.....	34
Series EE Bonds.....	34
Form 1099-INT for U.S. Savings Bonds Interest	35
Education Savings Bond Program - §135	35
Qualified U.S. Savings Bonds.....	35
Eligible Expenses	35
Exclusion Phaseout.....	35
Insurance.....	36
State or Local Government Obligations.....	36
Tax-Exempt Interest on State or Local Obligations	36
Taxable Interest on State or Local Obligations	36
Private Activity Bonds.....	36
Tax-Exempt Bonds Bought At a Discount.....	37

Installment Sales37

Installment Method.....	37
Requirements	37
Formula	37
Dealers.....	38
Special Rule.....	38
Sale at a Loss	38
Installment Income	38
Interest Income.....	38

Gain.....	39
Pledging.....	39
Installment Notes in Excess of \$5 Million	39
Related Party Sales	39
Sale of Depreciable Property	39
Resale Rule.....	40
Related Persons	40
Exceptions.....	40

Debt Cancellation & Foreclosure.....42

Exceptions from Income Inclusion	43
Bankruptcy Case Exclusion - §108(a)(1)(A).....	43
Insolvency Exception - §108(a)(1)(B).....	43
Qualified Farm Debt Exclusion - §108(a)(1)(C)	44
Qualified Farm Debt - §108(g)(2)	44
Qualified Person - §108(g)(1)	44
Real Property Business Debt - §108(a)(1)(D).....	44
Qualified Debt.....	45
Exclusion Limit.....	45
Ordinary Income Recapture	45
Student Loan Exception - §108(f)	46
Public Service Requirement - §108	46
Purchase Money Debt Reduction Exception - §108(e)(5)	46
Cancellation of Deductible Debt Exception - §108(e)(2)	46
Reduction of Tax Benefits (Attributes) - §108(b)	47
General Ordering of Tax Attribute Reduction.....	47
Foreclosure.....	47
Nonrecourse Indebtedness	48
Recourse Indebtedness	48
Discounted Acquisition of Debt	49
Transactions Involving Related Parties	49
Related Persons	49

Bad Debts50

Non-Business Bad Debts.....	51
Totally Worthless.....	51
Required Basis or Income Inclusion.....	51
Political Debts.....	51
Secondary Liability on Home Mortgage.....	51
Recovery.....	51
Business Bad Debts	52
Methods of Treating Bad Debts	52

Answers to Review Questions: page 54

Glossary and Index: page 60